Overview of Tenure Options

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| Type of Tenure | Description | Features | Comments |
| Freehold | The outright purchase of the whole site or a part share in the site, in perpetuity, at full market or discounted price. | Provides security & independence for CSO  Freedom to use, improve or redevelop the site & possibly to resell  CSO can use asset to help raise grant, debt and equity funding  Transfers all responsibilities & costs from LA to CSO e.g. repairs, staffing & insurance  Possible purchase cost/capital receipt for LA  May become a liability if condition worsens or deeds forbid sale  Much harder for LA to restrict or control use | Covenants can be used to restrict use or future sale conditions. Covenants may prevent borrowing against the asset which can affect the ability to secure a loan.  Shared purchase can be a good way of sharing the costs and benefits but increases the legal complications. A new legal entity will be needed. |
| Long lease (25 years+) | A long lease which may be granted at a ‘peppercorn’ or for a purchase price. May include a service charge or ground rent. | Reasonable flexibility, security & independence for CSO  CSO can use asset to help raise grant, debt and equity funding  LA can retain some control via lease and place some restrictions on use & sub-letting  LA may retain some costs or responsibilities e.g. insurance, roof repairs or may transfer all.  Easier for CSO to hand back if anything goes wrong but will need to ‘make good’ any changes.  CSO may have to ‘make good’ any changes before returning site.  LA ultimately benefits from site improvements.  Break clauses should be fair & equal in favour of both sides | If lease terms are too restrictive they may interfere with the viability of the business. For example, if lease forbids sub-letting or commercial uses or assignment of the lease to a third party.  Break clauses should be even on both sides i.e. both parties should have to give the same notice to terminate the lease and terms should be fair. |
| Lease | A contract between an owner, (as landlord or licensor), and the organisation, (as tenant or licensee), which states the conditions under which the organisation is given rights to use the asset | A short lease may be anything from a year upwards and often carries a rental charge.  Conditions in the lease may restrict how the asset can be used,  A short lease may be useful to enable the CSO to gain experience in asset management.  Repair responsibilities & insurance for building fabric remain with the LA  Should not include any conditions on organisational governance  Easy to walk away from if not viable | For example, an asset may be transferred subject to a formal agreement that it be used for a particular purpose, eg: a building that must be used as a community sports centre and for no other purpose without the prior consent of the transferor. A lease should not contain conditions relating to the management and control of the organisation. |
| License | Whereas a lease offers an organisation an exclusive right to use a building / part of a building for a defined period, (a term), a licence offers a non-exclusive right of occupation. | Usually for less than a year and can be for as little as a month.  No security for CSO but easily renewed by LA  No sub-letting allowed | Provides little or no security and unlikely to be able to secure finance. Can be used to give a group some experience and track record of managing an asset before moving to a long lease. |
| Management agreement | Is not a property contract but contains clauses relating to the management responsibilities of the CSO. | Will provide details of how the site is to be used, stipulations about public access and maintenance of site.  Is unlikely to be very long term but can contain clauses which trigger renegotiation or renewal. | Can be used instead of or alongside a lease or licence depending on need. Might be used in a situation where a long lease is impossible to offer. Needs to include at least a nominal payment from the LA to ensure it is legally binding. |